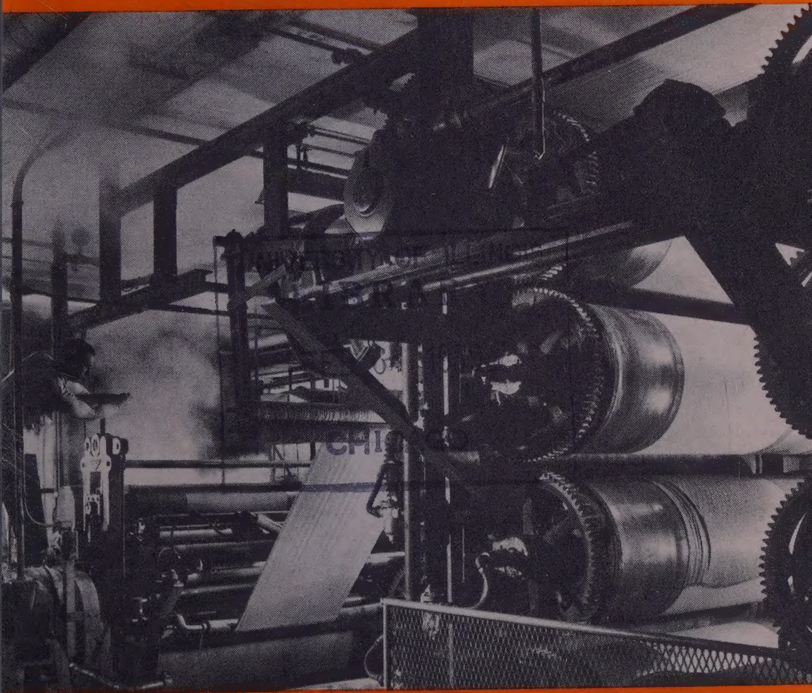
ebruary 4, 1959

Investor's Reader

For a better understanding of business news



BRIGHTER HUES FOR TEXTILES? (see page 1)

GRAND NEW FLAG

This modern day Betsy Ross at Annin & Company (IR, April 6, 1953) sews stars on one of the new 49-state flags which become official on Independence Day. By then some 3,000,000 Alaska - hailing flags will have rolled off the machines of the 15-to-20 full-scale US flagmakers.

Oldest and biggest of this small coterie, Annin & Company dates back to the 29-star days of 1847. From its Manhattan headquarters Annin supplies customers throughout the US. The Stars & Stripes account for only about 25% of its total business which covers the banner front from foreign & state standards to yachting flags and advertising pennants. Among its biggest clients are flag-selling department stores. Another flag favorer: the American Legion. Federal and local agencies are also big buyers.

Annin flags range in price from pennies for small souvenir pennants to several thousand dollars for the fancier varieties. In the standard 3-by-5 foot size the company puts out a "very nice, good-grade cotton flag with the stars sewn on" (stars are printed on cheaper versions) for only $7.60 while a fancy bemberg (taffeta-like weave) runs around $50.

As various institutions hurry to bring poles up to date, Annin president Digby W Chandler figures current orders run "25-to-30% ahead of normal. We have the biggest backlog we've ever had." The privately owned firm releases no specific sales & earnings figures "for competitive reasons" but chances are it will break no financial records this year. For one thing flag making is not a mass production process. It is a highly skilled art and "you can't up production by adding a second shift. You can't get the operators." Also Washington took so long to decide on a new design "we had practically no orders for four or five months. What we got were 'when & if' orders which of course are all going through now."

In addition the 49th star required expensive retooling of dies and patterns. Thus flagmaker Chandler would much prefer level production rather than the current spurt. He adds: "We will eventually smooth out production but it will take us a while." By that time the flagmen may have to retool for Hawaii's star No 50.

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Investor's Reader

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Textile Revival Forecast Anew

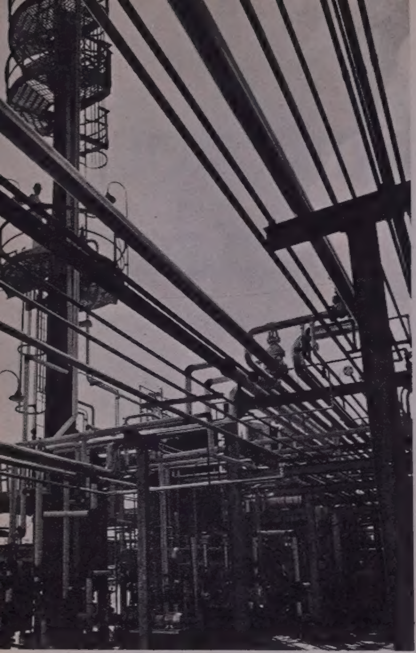
Industry Hopes to Sew New Profits Pattern After Manv False Starts

THROUGHOUT the decade-or-longer textile slump such predic-ions as "things are getting better" or "the textile upturn is right around he corner" have been voiced period-cally by textilers themselves and many outside observers. But with-standing all optimistic interjections, he industry has remained plagued by consistently low profits and ex-cess capacity. However once again he cries of a turnabout are being sounded. Provided a couple of could-be problems looming big on the sec-ond quarter horizon can be kept under control, many textilers claim the cries ring true this time.

Some hopeful signs: backlogs are good. The pickup in cloth buying which began in mid-October was promoted by low inventories, talk of a more-prosperous-than-ever 1959, higher wages, more disposable in-come—and of course constantly more folks to be clothed. Almost all mills have orders through the first quarter, many through the second quarter and cotton textiler Cone Mills says its corduroys and flannels are sold right through next September. With this in mind industrymen predict overall production for the first two quarters should be 15% above the same 1958 period.

Equally significant, profit margins have widened steadily since last Fall. The Agriculture Department recently reported the December spread between raw cotton and finished cloth was slightly more than 25¢ a pound *v* 22.8¢ a year ago and the January spread should be even wider. For all 1959, price gains should average 5-to-10% higher than last year.

However optimism is tempered by the fact the 1958 recession brought textile business to its lowest level since War II. Year-to-year compari-



Celanese pipes for profit

sons almost have to be better. For example, mills sold 9% less in the first half of 1958 than in the previous year—and 1957 was certainly no boom. Earnings in the first half dropped an average of 60%, amounted to less than 1% of sales. Moreover backlogs dwindled to practically nil as buyers operated on a hand-to-mouth basis.

The results: many companies were forced to shut down more unprofitable plants. Diversified J P Stevens discontinued a Garfield, NJ weaving plant in early 1958; cotton specializer Dan River Mills shut down its Rome, Ga plant toward the end of the year. Others lowered dividends —No 1 textiler Burlington Industries paid stockholders a total of 70¢ in 1958 *v* 85¢ in 1957 while M Lowenstein & Sons decreased its dividend to 70¢ from $1.25.

Trouble Ahead. Textilers admit some thorny problems remain. One is labor. Textile workers have enjoyed no general wage increase since October 1956. While there is little danger of a strike with a mere 25% of the labor force organized, textilers are losing workers to other industries. However the 86th Congress may solve this problem for them—and create another—if it boosts the Federal pay floor from $1 an hour to $1.25. As many unskilled textile workers earn less than $1.25 this would force a 10-to-15¢ an hour raise right down the line. (A dime boost is calculated to mean $110,000,000 a year for the industry; 15¢ would tack on $165,000,000.)

Problem No 2: chances are the 1958 cotton legislation which allows more cotton to be harvested this year may backfire. While this ultimately means lower prices, mills must use last year's more expensive fiber until the new cotton comes to market in the Summer. Should the mills' customers decide to sit tight on present inventories until the cheaper crop is available, mills might once again have to watch their backlogs dwindle or else cut their prices and accept lower margins.

While these are only short term worries there are more basic problems to be dealt with. For one thing there are few real leaders in the field. Moreover in between the weaving and knitting mills at one end and the retailers at the other are hundreds of cutters, dyers and finishers. This overabundance of textile participants

ot only inspires cut-throat competiion but makes consumer demand lifficult to gauge. The competition is ntensified by the continuing bom›ardment of the US market with heap foreign imports.

Another bugaboo lies in the obsoete machinery. Although some faeilities such as the North Carolina inishing plant of M Lowenstein are well equipped (see cover photo of continuous dyeing operation), one study calls 65% of all textile machinery outdated. However textilers are making an effort to correct this fault. For instance in 1957 Dan River Mills began a three-year, $15,000,000 program for new machinery. Cone Mills spent $5,600,000 in 1957 on its finishing and converting plants and Beaunit Mills plans to spend $3,500,000 this year.

James E Robison, president of textile maker Indian Head Mills Inc of New York, summed up the problem two weeks ago at the convention of the National Wholesale Dry Goods Association: "We're running our businesses like our fathers did before us * * * our earnings are miserable because we persist in making the same old goods in the same old quantities when the world does not need them and does not want them."

Even with these obstacles, stockholders see enough gain in 1959 to warrant paying higher prices for many textile stocks. On the NYSE J P Stevens currently sells around 27 *v* 17½ last year; Cone Mills trades around 15, up from 9 in 1958; giant Burlington Industries also sells at 15 *v* 9; Dan River is up five points from its 1958 low to 14 and United Merchants & Manufacturers (better known to many for apparel retailing subsidiary Robert Hall) has risen eight points to 18.

Synthetic Story. Although synthetic (which means rayon and acetate to textile men) clothing currently occupies the softest spot in the textile industry, synthetic makers also look for their share in the 1959 gain. New acetate markets in upholstery and drapes are showing gains. One of the biggest beneficiaries of new acetate usage is Celanese Corp of America whose nine-month earnings increased 18% over 1957 to $10,080,000 or $1.22 a share. Celanese has also hedged its textile bets with increasing interests in the chemical and plastics fields (see picture).

Rayon makers look forward to a good year in the automobile tire cord market. The reason: thus far automobile sales are even better than anticipated. In addition the rayon industry has come out with a new high-strength, light-weight yarn dubbed Tyrex which many hope will be better able to hold its own against nylon competition.

Last year was a different story. Earnings fell as tire sales dropped due to the lag in automobile production. Moreover last year nylon tire cord looked like it might absorb a large hunk of the already shrunken tire market (IR, June 25, 1958). As a result Industrial Rayon will probably show a 1958 deficit *v* a profit of $1,200,000 or 65¢ a share in 1957. American Enka has estimated its earnings dropped to $813,000 or 60¢

a share in 1958 from 93¢ the year before and Beaunit Mills net for the six months ended September dropped to 49¢ a share from 88¢.

Chemical Competition. In contrast to some of the antiquities in the textile business is the up & coming chemical fibers field (what most laymen mean by synthetics). In 1940 chemical fiber production amounted to a mere 5,000,000 pounds. By 1957 it came to more than 515,000,000 pounds. Although a few textile companies such as Beaunit Mills and (at least indirectly) American Viscose are in these modern fibers, the bulk comes from the test tubes of the biggest and most prosperous chemical companies. For instance nylon comes from duPont and Chemstrand (the offspring of American Viscose and Monsanto Chemical); the acrylics (Orlon, Acrilan, Dynel, Verel, Creslan and Zefran) from duPont, Chemstrand, Union Carbide, Eastman Kodak, American Cyanamid and Dow.

However, like the tire cord people, textilers are strengthening efforts to combat chemical advances on their own ground. Example: the new wash & wear items. The no-iron clothing either combines cotton with various chemical fibers or consists of a finished cotton.

In any case, whether the textile upturn is this time truly under way or whether the long-standing problems will again smother the hopes of the optimists, everyone agrees energetic steps are essential. Sums up Jim Robison: "We need more aggressive, imaginative policies in research, production control and marketing."

FISCAL
The Four Percenters

WHILE the stock market moved dizzily in the rarified atmosphere around 600 for the Dow-Jones, the Government bond market continued its troubled downward trek (IR, Sept 17,1958). As rising equity prices compressed stock yields even further (Standard & Poor's 500-stock average yielded but 3.21% at presstime), selling pressure and the influence of the Treasury's new long-term 4s of 1980 pushed returns on Governments upward to widen the reverse spread to 70 basis points.

In the latest auction, 91-day Treasury bills broke through the 3% mark for the first time since December 1957, sold to yield 3.035% *v* 2.808% the week before; the new 182-day bills went at an average yield of 3.233% compared to 3.034%. In the longer section of the list over half the issues moved to new lows and still higher yields.

The situation led the conservative but alert *New York Times* last week to note no less than twelve out of the 46-issue family of marketable Government bonds & notes sold to yield over 4%. The roster:

Treasury Issue	Offer Price	Yield
2⅝s of 1963	94 11/16	4.06%
2½s of 1963	93 11/16	4.03
2½s of Dec 1968/63	87⅝	4.03
3s of Feb 1964	95⅜	4.02
2½s of June 1969/64	86 15/16	4.05
2½s of Dec 1969/64	86⅝	4.03
2⅝s of Feb 1965	92 7/16	4.04
2½s of March 1970/65	86⅛	4.05
2½s of March 1971/66	85½	4.02
3⅞s of Nov 1974	98¼	4.02
4s of Feb 1980	98 3/16	4.09
3½s of Feb 1990	91 1/16	4.01

AVIATION
Russian Prediction

JUST BEFORE he hopped off for the Kremlin and as Lunik spun around the Sun, Anastas Mikoyan made an interesting prediction: "I'll be back soon. But next time I will come by passenger-carrying rocket."

REAL ESTATE
Fannie Mae Favors

NEXT WEEK some 4,600 of Uncle Sam's nieces & nephews will get a bigger than usual communique from cousin Fannie Mae. Reason: in January the Government-controlled Federal National Mortgage Association (FNMA or familiarly Fannie Mae) announced it would up its monthly dividend to common stockholders to 20¢ a share from the old 17¢ monthly rate.

Affluent Fannie Mae makes her money buying & selling Government-insured (or guaranteed) mortgages to improve the liquidity of the residential mortgage market. Family-wise and finance-wise she is quite unique. FNMA began life in 1938 as a wholly owned Government corporation designed to maintain a market in FHA (and later VA) backed mortgages. In 1954 Congress decided to put this secondary market operation into the hands of a separate corporation while other Government-owned outfits continued to carry and liquidate the 1938-54 mortgage portfolio and provide special housing assistance.

At the start of its new life an initial 928,000 shares of preferred stock were sold at $100 par to the Secretary of the Treasury. Since then the Treasury's preferred holdings have increased to 1,428,000 shares. There was no actual offering of common stock. Instead sellers of mortgages to Fannie Mae are required to accept a portion (currently 2% of the unpaid principal) of the proceeds in FNMA common stock at $100 par value. In turn the banks and other selling institutions may sell their new stock. An over-the-counter market in the shares developed (current price: 60) to bring Fanne Mae equities into public hands. Thus each time Fannie Mae buys a mortgage it floats new stock. In the twelve months ended September 1958, its operations brought the number of shares outstanding up from 274,000 to 367,000.

In addition Fannie Mae may also issue debt obligations up to an amount equal to ten times its capital & surplus. To borrow the better-than-a-billion it needs for its mortgage operations (debt limit as of September 30 was $1.9 billion) Fannie Mae comes to the markets with a multi-million offering almost as often as her ever-borrowing relative Uncle Sam. At the end of September $1.1 billion-worth of the association's debentures were in the hands of the public. These are not guaranteed by the Government and not counted as part of the public debt. In addition, Fannie Mae has also borrowed $19,000,000 from the Treasury.

All of these funds not only make a mortgage market, they also make

profits for Fannie Mae. In the first nine months earnings totaled $6.40 a share *v* $3.74 the year before. In the quarter ended September, FNMA netted $2,680,000 or $2.08 a common share on interest, fees and sales gains compared to $1,336,000 or $1.12 a share in the same period in 1957.

Out of this Fannie Mae paid $575,000 in preferred dividends to the Secretary of the Treasury and $187,000 in disbursements on the common stock. The rest was transferred to surplus to bring book value to $109 a common share.

Under Fannie Mae's financial setup, the Secretary of the Treasury receives dividends only on that portion of the preferred stock proceeds which is actually utilized by Fannie Mae; the payment rate is based on the average cost of borrowed money to the Treasury. Common dividends may not exceed the rate paid on the preferred nor total more than 5% of the par value of the outstanding common. The Treasury also has a claim on undistributed earned surplus gained from capital represented by the preferred stock. As of the end of the September period, Treasury equity in surplus totaled $8,715,000 *v* $3,461,000 for the common.

In the months ahead however, Fannie Mae's impressive gains may narrow somewhat. Results in the September 1958 period benefitted from interest rates which were lower than in the same 1957 quarter. But the cost of borrowing to finance FNMA operations is now higher than in the easing money period of late 1957 and early 1958.

FOODS

Meat Packers Weigh In

PROFITS OF major meat packers last year not only lived up to the expectations entertained last Fall (IR, Nov 28, 1958) but proved way fatter. Behind the good news is the fact company efforts to streamline unwieldy operations and widen profit margins have begun to pay off. Some capsule reports for the fiscal year ended November:

• Medium-sized ($61,000,000 assets) John Morrell & Company put on the most poundage, more than quadrupled net to $2,310,000 or $2.80 a share on a little more than 1% volume rise (to $402,000,000).

• Next in line, the nation's No 2 packer Armour & Company reported income fattened a meaty 64% to $5,560,000 or $1.19 a share. Sales were down 4% to $1.8 billion while margins almost doubled.

• Helped by its sporting equipment line Wilson & Company weighed in with earnings at $7,760,000 or $3.10 a share *v* $5,710,000 or $2.19 the year before. Margins came to 1.1% *v* .8% the year before.

• Cudahy Packing Company was able to announce a 30% rise in profits to $2,670,000 or $1.46 a share with volume up only 8% to $369,000,000.

• Swift & Company was the only one to lose ground. Earnings fell to $1.70 a share from $2.29 the year before while volume increased 4% to $2.6 billion. Chief reason: being the largest, it is harder hit than most by high fixed overhead.

Meantime meat packing prices on the NYSE continue to reach for new

ighs. At presstime the 2,230,000 hares of Wilson traded at a new record of 34. Likewise the 4,700,000 hares of Armour reached an all-ime high of 26. Morrell at 27 is only a point below the record 28 nade in 1956. Cudahy currently rades at the highest since the record 20 scored in 1929. However Swift at 37 is below the postwar record of 52 made in 1955 though eight points above the 1958 low.

MANAGEMENT

Sunny Days at American Title

IN THE SUMMER of 1936, tall and natty Joseph Weintraub decided to solve a problem which irked him almost from the day he was admitted to the Florida bar nine years before. The problem: troublesome titles in the state's hectic real estate market.

So Joe and a partner anted $110,-000 and founded what is now the American Title & Insurance Company. The partner died in 1947 and left Joe in full charge. The little company founded 23 years ago has grown into one of the largest title insurance outfits in the US; its consolidated assets exceed $14,000,000; based on the over-the-counter price of its 500,000 common shares, the company is worth over $5,000,000.

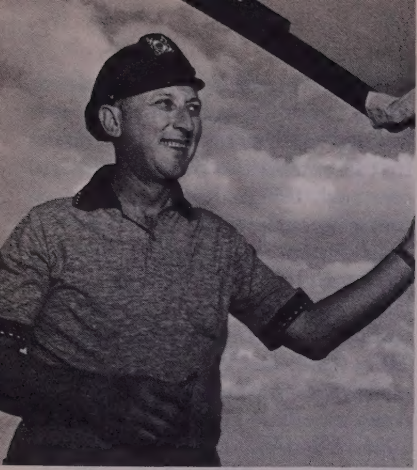
Despite this remarkable financial progress there were some rigorous years which almost—but not quite—shattered the urbanity of Joe Weintraub. A major problem was the red ink which deluged many insurance companies in the mid-Fifties. In addition there were problems of more customers and where to find them, of better agents and where to find them, better executives and especially where to find them. In the competitive insurance business such things do not come easy to a newcomer.

In the process of building his business, Joe bought & sold other insurance companies — almost always at a profit to his pet American Title. To get still more capital he made the first public offering of American Title stock in September 1955. The deal was 300,000 common shares at $10 each; two-thirds was offered by the company, the balance was Joe's.

Stick to Titles. Over the years Joe was imbued with one little-known fact: many important states have severe restrictions on "multi-line" title companies. Hence Joe has streamlined American Title into just title insurance. The company does own 67.5% of 93-year-old Reliable Insurance of Dayton, Ohio which writes mostly fire and a little casualty but studiously avoids the high-risk automotive lines. Two other subsidiaries are South Atlantic Title and Texas Title and they stick to their titles.

Because of these changes, the present company is a neat package which bears little semblance to the past. Today American Title operates in 34 states (plus D of C, Virgin Islands and Puerto Rico) with 350 agents in the field. Almost one-quarter of the company's business comes from booming Florida.

A profitable item for American is mortgage servicing wherein the company operates as an on-the-spot



Sailor Joe Weintraub

agent for mortgage holders. In Florida it services millions in mortgages for giant New York Life. The usual fee is ½ of 1% of the unpaid balance and in mid-January American Title was servicing agent for $80,000,000 in mortgages held by scores of institutional lenders.

The company and its 900 stockholders strode by an historic marker a few weeks ago when New York authorities finally approved trading of American Title securities within the state. Heretofore the company was barred because of its multi-line activities. Approval is significant because an estimated 90% of all insurance stock trading takes place in Wall Street.

With all this broadened interest, the company's common shares last week traded 20% below their alltime high of $12.75. This is after a 1-for-9 stock dividend paid just before Christmas and not to mention the 80th cash dividend (7½¢ a share quarterly). The current price is more than double the low set in dismal 1957 and probably reflects estimates the company earned above $1 a share in 1958 *v* 47¢ in 1957.

Pal Joey. Amid these two decades of flux, only one thing is little changed—chairman, head salesman and biggest stockholder Joe Weintraub (54). When he is not busy at American Title he finds time to run the Mercantile National Bank of Miami Beach (25 years old, assets $67,000,000) and cast a keen eye on the Bank of Hollywood (Fla) where he is a director and stockholder. In spare moments he runs his law practice, some hotel properties in Miami and a housing development in New Orleans.

Betwixt & between he likes to spend some time with his wife Hortense and children Joanne and Michael. And hardly last are such civic jobs as Miami U, the Opera Guild, the Community Chest and the Research Foundation. Now & then he relaxes at yachting and fishing (see picture). Last week as he flew off to South America, he displayed his usual pep and optimism: "It looks as though we have the Title Company in tip-top shape for a much bigger future."

MANUFACTURING
US Shoe Polish

FOR THE MOST part, recent financial reports of shoe manufacturers do not line up to the well-heeled look of their products. One exception is $17,300,000-assets Cincinnati cobbler US Shoe Corp. The No 5 shoemaker pushed sales and earnings to a new alltime high in the year ended November 1958. Vol-

ume increased 6% to \$45,300,000 while earnings rose to \$2,619,000 or \$2.34 a share from \$2.24 in 1957. Chairman Jos (he likes it spelled that way) Stern says the high polish comes from "public demand for US quality brand shoes, especially the Selby Arch Preserver line."

Such a performance is not new to the 27-year-old shoemaker which for some time has boasted the glossiest shine in the industry. In the last six years sales have increased 50%; earnings stepped up even faster and more than doubled since 1953.

Successful US Shoe manufactures such name brands as Red Cross, Cobbies, Joyce and Selby. It claims to be "largest exclusive manufacturer of women's shoes in the world." To gain added support for its well-known lines it is currently encouraging the establishment of independent, exclusive Red Cross and Joyce retail shops throughout the country. Some 150 such stores are already in operation.

Another version of this stronger sales plan is to encourage leading department stores to set up Red Cross Shoe Shops. Examples: Jordan Marsh in Boston, Carson Pirie Scott in Chicago. Says Jos Stern: "Reports indicate retailers net the most from our brands."

This Spring fashion-thinking US Shoe expects "patent leather pumps will be the big thing with ivory a contender as second color choice." As to the season's financial look Shoeman Stern reports: "Sales for the six months ending May 1959 will run ahead of the \$23,100,000 for the like period last year."

WE HEAR FROM . . .

St Regis Score

GENTLEMEN: NEW YORK CITY

It is unfortunate that your constructive report on the "longer view" at St Regis Paper Company in the January 7 issue was somewhat marred by three typographical errors.

In the second paragraph you report 44,000 acres added to St Regis holdings through acquisition of St Paul & Tacoma Lumber Company and J Neils Lumber Company. This should read 440,000 acres. Total outstanding common shares should have read 8,160,000, rather than 1,160,000, as shown in the fifth paragraph.

Finally, the last paragraph should read "a \$150,000,000 capital expenditure in 1960-65 which will be needed to utilize the new Northwestern timber reserves," rather than \$15,000,000 as shown.

Very truly yours,
SAMUEL SHANE
Public Relations
St Regis Paper Company

Apologies to St Regis and reader Shane for some blurred proofreading in the pre-New Year's haze.—*Ed.*

Ivy Woodshed

GENTLEMEN: MATTOON, ILL

A very fine magazine and readable from cover to cover. However, the December 24 issue on aluminum spoke of the "Pittsburgh" woodshed where Charles M Hall worked out the low-cost aluminum process. You've cut Oberlin College to the quick, since they've always thought Hall did his work in a woodshed on East College Street in Oberlin. The college has many relics of Hall, including some of the original bits of aluminum first gotten by Hall.

Very truly yours,
C BEATTY
Oberlin College (MA)

Hall started the company which became Alcoa in a Pittsburgh workshed. But as loyal alumnus Beatty notes, he developed his process at Oberlin and IR will take its writer to the appropriate woodshed.—*Ed.*

PUBLISHING

McCall's Changing Pattern

WHILE colorful *McCall's* magazine still sells the theme of "togetherness," its publisher cannot say the same. In the past couple of years $37,200,000-assets McCall Corp has gained a new president while losing two magazine editors and various other editorial members. At the same time it has watched magazine profits dwindle while earnings from patterns and other ventures grow.

McCall puts out *Redbook* as well as *McCall's*. In addition to these two monthlies, it also brings out two pattern and needlework magazines and prints 45 periodicals for other publishers. Most printing operations are in the recently expanded Dayton plant.

Coordinator of all these activities is Arthur Langlie who took over the presidency in January 1957 after former president Marvin Pierce moved up to board chairman. Arthur Langlie (he was suggested for the position by West Coast financier Norton Simon whose group controls 32% of McCall stock) has actually concentrated most of his life in politics. A three-term Governor of the state of Washington and keynoter at the 1956 Republican convention, he came to McCall shortly after losing a Senate race to Warren Magnuson.

Although the ex-Governor comments "it's not as difficult to run a company as a state * * * I find it easier to sell stock than try to pass a new tax bill through the legislature," his tenure has been far from problem free.

A major nuisance during 1958 was a fast-disappearing staff. In October *Redbook* editor Wade H Nichols resigned to take a position as editor of *Good Housekeeping*. A month later longtime (31 years), $65,000-a-year *McCall's* editor Otis L Wiese resigned, was followed by the bulk of the editorial staff in the next few days. Editor Wiese who believed in paying top prices to get top names in the magazine (last year Sloan Wilson is reported to have received $100,000 for *The Summer Place*) disagreed with some of the cost-cutting methods of president Langlie. Veteran Wiese's replacement: former *Good Housekeeping* editor Herbert R Mayes at $100,000 a year.

Money Problems. Even more of a headache is the decreased income from *McCall's*. Circulation-wise the magazine has done well through the years. Founded in 1876 under the name of *The Queen*, its current 5,350,000 circulation ranks it third among women's magazines after *Ladies Home Journal* (Curtis) and *Good Housekeeping* (Hearst). Unlike many periodicals, it has maintained its ability to sell over a million a month on the newsstands. Only six such monthlies still exist *v* 15 in 1950.

However advertising lineage has not kept pace with the steadily growing circulation. *McCall's* printed a high of 739,000 advertising lines in 1947, had blue-pencilled to 687,000 lines by 1957, then dropped 24% to 520,000 lines last year. Although increased rates managed to keep advertising revenues on the

ise until recently, recession-bound 1958 proved too much for the magazine. Advertising revenues dropped $3,340,000 to $18,400,000 in 1958. Moreover the magazine slipped from tenth in advertising revenue among the top 16 to No 13.

McCall's troubles have not been unique. Crowell-Collier's *Woman's Home Companion* was forced to close shop permanently. Advertising lineage in *Ladies Home Journal* has skidded from 1,166,000 in 1947 to 588,300 last year. *Good Housekeeping* dropped from 754,000 lines to 532,000 in the same period. But whereas advertising revenue gains of both competitors have been far from outstanding, they were nonetheless sufficient for the magazines to maintain their No 6 and 11 spots in last year's revenue rankings.

For the short term president Langlie feels the drop in advertising revenues is due to "the general business decline in 1958."

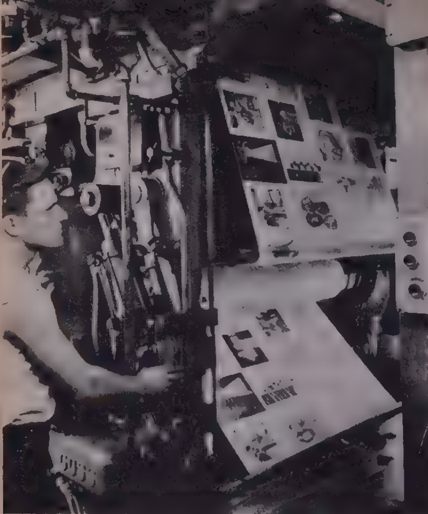
On a longer term basis he places the blame on stiffer competition. He notes supermarket magazines as well as television have made great inroads on available advertising dollars. One study reports 20 leading network advertisers spent $78,400,000 for daytime TV in the first nine months of 1958 as against only $14,400,000 spent on the big women's magazines.

Patterns Ahead. Meanwhile not all McCall operations are in the doldrums. Smaller (circulation: 2,745,000) sister magazine *Redbook* was "one of the few to make any advertising gains last year [$3,830,000 *v* $3,140,000 in 1957] and circulation was maintained without any push."

Other McCall publications such as *McCall's Pattern Book, McCall's Needlework* and *Craft Annual* have also proved more prosperous of late. When Governor Langlie switched his office to the East Coast "the patterns were losing money. Then we made some management changes, added distribution centers and eliminated much of the waste." These improvements, perhaps coupled with the fact more women tend to make their own clothes during a bad year have meant "much better sales." President Langlie says the patterns division now accounts for about 25% of profits.

More important, president Langlie announces 60% of the McCall profits are in commercial printing. The company's printing plant in Dayton runs off an average of 3,000,000 magazine copies a day including wellknowns *Newsweek, US News & World Report* and *Mademoiselle* as well as specialties like *Gourmet* and *Electricity on the Farm*. The company plans to add four new magazines to its contract printing list this year. Despite the greater profits in the printing operation, however, Governor Langlie denies recurrent rumors the company would like to sell out of the editorial business (perhaps to Time Inc or Cowles Magazines).

While the run has not been smooth profits have been rolling in at a fair clip. Earnings in 1958 are estimated at $1,330,000 or $1.75 a share, up from $1.59 earned in 1957 and $1.16 in 1956. However



Hot off the presses

this is still a long way from the good old pre-TV days. McCall earned $3,720,000 or $7.12 on 125,000 fewer shares in 1946.

The 650,000 Big Board-traded shares have followed much the same pattern as profits. The stock now trades around 22, ten points up from the 1958 low but far short of the alltime 1946 high of 71. Dividends also accurately mirror company fortunes. During 1946-48 the company paid a $3 annual rate. This was reduced to $2 in 1949, to $1.62½ in 1951 and $1.20 in 1952. In 1957 the management announced a new policy of paying part cash, part stock to accrue funds for additional promotion. McCall stockholders now receive an annual 60¢ in cash and a 3% stock dividend.

Meanwhile the outlook for McCall may be brighter in 1959. Advertisers are no longer on such stringent budgets. As a result *McCall's* experienced its first pick-up in a year when January lineage increased 8%, revenues 18%. Although president Langlie admits "the year is starting pretty slow for all magazines," he feels "our increase in 1959 will be just about the same over 1958 as that year was over 1957."

SPORTS
Garden KO

READERS of the sport page are getting a bit of financial news with their scores these days. While an ice show temporarily exiled basketball and hockey from Madison Square Garden two weeks ago, the Supreme Court ordered the permanent exile of two leading officers from the Garden stock and management roster. It upheld a 1957 District Court ruling to dissolve the International Boxing Club, a subsidiary of Madison Square Garden.

But the real knockout blow in the anti-trust decree orders Garden president James D Norris and treasurer Arthur M Wirtz to sell their controlling 232,000 shares (41%) of Garden stock. The stock trades on the Big Board around 16, double the price a year ago but still well short of the 1946 high of 21.

Norris and Wirtz have already resigned their Garden posts, have five years (from 1957) to dispose of the stock. Among prospective customers: soon-to-be-independent Loew's Theatres Inc; multi-millionaire Manhattan hotel owner Hyman B Cantor (the Dixie, Empire, George Washington) who says he already owns 55,000 shares but termed Garden operations as" lousy"; Lowell Harman, owner of a printing company.

Some Stocks Left Low by Market Boom

A Sizeable List

THE STOCK MARKET in general is at highs unrivaled in investment history. The most frequently quoted indicator, the Dow-Jones industrial average, has raced right up to the 600 level—a 15% climb above the 1956-57 peaks and 55% higher than the old 1929 record. But even among the 30 stocks which make up the Dow-Jones industrials, half a dozen now sell lower than in 1957 (IR, January 21).

While some of the Dow-Jones laggards are only a couple of points off their 1957 levels, countless other stocks dropped much further below their 1957 highs—and below earlier postwar peaks. This is nothing unusual. Investors lulled by talk of "general market" movements are always apt to be in for sharp surprise when they look at specific securities. Three times in recent years (July 13, 1953; November 17, 1954; August 7, 1957) INVESTOR'S READER has listed hundreds of stocks then selling substantially below their postwar highs. A current roster appears on the following pages. It is only a sampling—a full list might well take up half the book.

In the previous "depressed stocks" tabulations virtually all the postwar highs had been attained in the early enthusiasm of 1946-48, most of the rest (particularly for metal stocks) in the Korean-inspired run-up of 1950-51. This time however three of every ten stocks in the table made their postwar highs only in the 1955-57 period. To name a few: American Broadcasting–Paramount Theatres, Bulova, Cornell-Dubilier, General Precision Equipment, Joy, Kaiser Aluminum, Philco, Rayonier, Vertol Aircraft. Also many rails including the Boston & Maine, Lackawanna, Monon and New York Central.

Some stocks still sharply below their recent high nonetheless represent a good profit for long-term holders. For instance, Eastern Air Lines last week was quoted one-third down from its 1955 peak of 58. But the current price is higher than any which Eastern commanded before the Fall of 1954.

The group which scored 1955-57 highs includes quite a number of stocks which had also "qualified" on the previous IR lists. One example: textiler Reliance Manufacturing which had declined from 30 in 1946 to around 10 in 1953-54 climbed back to set a new high of 30¼ in 1956 but then dropped down again by more than one-third. Columbia Pictures and Central Railroad of New Jersey had similar roller-coaster rides. Cerro de Pasco which had declined from 44 (adjusted) in 1951 to 16 in 1953 scored a much fancier high of 77 in 1956 but then dropped right back into the twenties. Now up again to 48 or so, it remains nearly 40% below the high.

Still other stocks also made sharp comebacks (before declining again) but their best 1955-57 prices fell slightly short of earlier peaks. This category includes International Railways of Central America, Consol-

idated Mining & Smelting, Youngstown Steel Door.

But many other companies on previous "depressed" lists never recovered even temporarily to anywhere near their old highs. A few random examples: Breeze Corp, F L Jacobs (which was recently suspended from NYSE trading for failure to file reports on time), Alaska Juneau and Wurlitzer.

A few of the highs (preceding the fall) came because the stock was bid up during a fight for control.

AMONG THE MANY STOCKS . . .

(All prices adjusted for

	Approximate Postwar High	Recent Price
AMUSEMENTS		
AMI Inc (phonographs)	28	15
Allied Artists	9	4
Amer Broadcast-Para Theat	33	21
Baldwin Piano	39	26
Cinerama Inc	8½	3
Columbia Pictures	32	21
Decca Records	37	19
District Theatres (in South)	13	1¼
Gilbert (Erector sets)	15	8
Lionel	27	12
Loew's	41	21
Narragansett Racing	30	13
Republic Pictures	17	9
Technicolor	17	7
Universal Pictures	49	29
Wurlitzer (juke boxes)	32	9½
AUTO & AIRCRAFT PRODUCTS		
Allied Products	26	12
Aluminum Industries	17	8
Bell Aircraft	38	20
Bellanca Corp	30	⅜
Belock Instruments	22	11
Bohn Aluminum & Brass	52	23
Breeze Corp	15	6
Casco Products	10	5
Chrysler	101	52
Continental Motors	24	11
Detroit Gasket & Mfg	18	11
Douglas Aircraft	92	57
Electric Auto-Lite	83	37
Fairchild Engine & Air	21	10
Fawick Corp	21	6
Fruehauf Trailer	38	19
Greer Hydraulics	21	12
Grumman Aircraft	41	23
F L Jacobs	24	5¾
Kellett Aircraft (copters)	5¾	2½
Miller Mfg (parts, repair tools)	7¾	3¾

	Approximate Postwar High	Recent Price
Monroe Auto Equipment	26	9½
Motor Wheel	36	17
Muskegon Piston Ring	17	8
Republic Aviation	47	27
Seagrave (fire trucks)	31	16
Sparton (horns, signals)	13	7
Standard-Thompson (gauges)	18	5
Twin Coach (plane parts)	26	15
Vertol Aircraft (copters)	46	18
BEVERAGES		
Anheuser-Busch	38	23
Coca-Cola	200	127
Coca-Cola Intl	1,332	778
Cott Beverage	9	5
Dr Pepper	48	17
Duquesne Brewing	17	7½
Goebel Brewing	12	3
Hires	41	17
Krueger Brewing	18	6½
Moxie Company	18	1½
Nehi	32	18
Pabst Brewing	32	12
Publicker Industries	36	14
Jacob Ruppert	34	11
BUILDINGS & FURNISHINGS		
Amer Rad & Standard Sanit	27	16
Atlas Plywood	38	10
Bird & Son (roofing, linol)	30	19
Briggs Mfg (plumbing)	24	10
Clayton & Lambert	20	7½
Clopay (window shades)	10	2¾
Crampton Manufacturing	5	2¼
Heywood-Wakefield	51	18
Kawneer (store fronts)	28	13
Maule Industries (concrete)	23	11
Russell (windows)	11	5
Stylon (tiles)	6⅛	3¼
Sutton (air conds)	13	1½
Thompson-Starrett	36	2

lost publicized example: Fairbanks lorse. Another result of this fight; he sharp drop in Penn-Texas.

Several stocks collapsed after perons who gained control allegedly nanipulated away much of their asets. Examples: Bellanca, Doeskin.

On the bright side however, there are also many "graduates" from the older lists. An outstanding example is Raytheon which had dropped from 25 in 1946 to around 8 in 1953, now sells above 60. Standard Packaging and DWG Cigar also recovered

. . FAR BELOW POSTWAR HIGHS

ock dividends, splits, etc)

	Approximate Postwar High	Recent Price
nion Asbestos & Rubber ..	23	10
S Air Conditioning	29	6½
pson (wallboard)	28	12
acuum Concrete	5⅛	¼
onolite	14	4¼
RUGS & CHEMICALS		
ourjois	31	10
atalin Corp of Amer	23	8½
ommercial Solvents	25	16
uval Sulphur & Potash	52	27
iltrol (catalysts)	91	44
azel Bishop	13	6¼
eyden Newport Chemical	45	15
efferson Lake Sulphur	48	30
oppers	74	44
ithium Corp of America	43	24
lational Vulcanized Fibre..	24	15
antasote	22	5
trong Cobb	20	6
un Chemical	24	13
exas Gulf Sulphur	44	22
nexcelled Chemical	17	9
alspar	13	6¼
irginia-Carolina Chem	50	26
LECTRONICS		
dmiral	32	18
dvance Industries	21	3
erovox Corp	13	6½
lark Controller	33	22
ornell-Dubilier	40	22
llen B Du Mont Labs	27	7½
ynamics Corp of Amer	10	5
l-Tronics	10	1½
eneral Precision Equip	71	33
lupp	10	5
laxson Corp	22	14
lational Union Electric	14	2½
anellit	17	9

	Approximate Postwar High	Recent Price
Philco	43	23
Tracerlab	25	13
FOOD		
Arden Farms	31	18
Atlantic Coast Inds (fish)	16	1⅝
Fanny Farmer Candy	67	18
Adolf Gobel	9	2½
Good Humor	13	6¼
Hathaway Inds (baker)	12	5½
Hawaiian Pineapple	33	13
International Packers	36	15
Libby, McNeill & Libby	23	13
MacAndrews & Forbes	54	30
National Alfalfa	27	7
Pacific American Fisheries ..	21	12
Rath Packing	43	21
Seabrook Farms	9	5½
Spencer Kellogg	31	20
Stahl-Meyer	16	4¾
Standard Fruit & SS	24	11
Starrett Corp	14	4
Stokely-Van Camp	28	18
HOME & PERSONAL PRODUCTS		
ASR Products (was Am Safety Razor)	22	13
Babbitt	16	10
Benrus Watch	13	6½
Bon Ami "A"	116	9
Bulova Watch	25	14
Club Aluminum	20	5½
Congoleum-Nairn	40	12
Cory Corp	9½	4¾
Elgin National Watch	26	10
Eversharp	57	22
Gruen Industries	26	2½
Holland Furnace	40	13
International Silver	74	39

table continued on next page

and are now at new record levels. Pepsi-Cola, Schenley, Liggett & Myers, Madison Square Garden (see page 12) have risen sharply though they as yet are short of previous highs.

Some stocks have had mild recoveries but are way out of sight of the peaks. Chain-clothier Bond Stores sold at 48 in 1946, dropped to a low of 12 and has since recovered to 21. Publisher McCall (see page 10) presently sells at 22, up from 12 a year back but the svelte 71 of

MORE STOCKS WHICH SELL . . .

	Approximate Postwar High	Recent Price
HOME & PERSONAL PRODUCTS, con't		
Iron Fireman	32	16
Knapp-Monarch	12	3¼
Lamb Industries (was Air-Way Inds)	10	5
Landers, Frary & Clark	48	19
National Presto Industries	19	10
New Haven Clock & Watch	16	2¼
Parker Pen "B"	26	14
Geo D Roper (ranges)	57	23
Schick	22	13
Sheaffer Pen "B"	22	11
Silex	24	4
Welbilt (ranges)	15	4
White Sewing Machine	27	8
METALS & MACHINES		
E W Bliss	33	19
Bowser Corp (pumps)	19	5
Bucyrus-Erie	56	30
Bullard	51	17
J I Case	39	24
Cherry-Burrell	28	13
Copper Range	70	30
Crompton & Knowles (textl)	40	16
Detroit Steel	24	16
Draper Corp (textile)	34	23
Fairbanks Morse	65	34
Federal Machine & Welder	16	3
Gar Wood Inds	17	7
International Cigar Mach.	33	21
Joy Mfg (mining)	76	52
Kaiser Alum & Chemical	70	41
Kropp Forge	5½	3
Lakey Foundry Corp	14	7¼
Latrobe Steel	37	22
Lynch Corp	26	13
Micromatic Hone	24	11
Pacific Tin Consolidated	12	5
Pittsburgh Coke & Chem	39	23
Reed Roller Bit	37	21
Rheem (steel drums, heaters)	45	20
Saco-Lowell Shops (textile)	29	14
Shahmoon Industries	50	17
Sharon Steel	59	39
Thew Shovel	56	27
United Shoe Machinery	84	47
US Industries	30	11
Van Norman Industries	25	11
Vitro Corp of America	29	15
MINING		
Alaska Juneau Gold	12	4
Amer Zinc, Lead & Smelt	24	16
Benguet Consolidated	4⅜	2
Bunker Hill	32	13
Butte Copper & Zinc	19	7
Cerro de Pasco	77	48
Chief Consolidated Mining	4	½
Consol Mining & Smelting	42	23
Continental Materials (uranium, sand)	6½	1
Faraday Uranium	3¾	1
Fresnillo	12	5
Frobisher Ltd	12	1¾
Giant Yellowknife	13	7½
Goldfield Cons Mines	4	1½
Granby Consol	23	8
Hecla	21	11
Hudson Bay Min & Smelt	99	61
Inspiration Consol Copper	68	42
Lake Shore Mines Ltd	23	4¾
Magma Copper	139	65
Miami Copper	61	38
Natomas Co	15	8
New Jersey Zinc	83	28
O'okiep Copper	131	76
Roan Antelope Copper	10	5
St Joseph Lead	55	32
Steep Rock Iron	27	14
Sunshine Mining	24	8
US Smelting	86	38
Ventures Ltd	49	31

1946 is only nostalgic memory.

All these variations emphasize an oft-repeated but always valuable lesson: the fact a stock currently sells far below previous highs is of itself neither good nor bad. Some stocks are down because the outlook is sad; in some cases the company may even be forced out of business. But as in the past, the list undoubtedly also contains a number of companies building for a brighter future which can bring hefty recovery for the stock.

. . . FAR BELOW POSTWAR HIGHS

	Approximate Postwar High	Recent Price
OIL		
Amurex Oil	20	4
Banff Oil Ltd	4⅝	2
Bayview Oil	6	2
Bishop Oil	25	10
Coastal Caribbean Oils	5½	1½
Crown Central Petroleum	28	14
Cuban-Amer Oil	9¾	2½
Delhi-Taylor Oil	39	14
Felmont Petroleum	12	7
Glasscock-Tidelands	28	6
Holly Oil	15	2¼
Israel-American Oil	8	1½
Maracaibo Oil Exploration	15	6
Mission Development	40	23
National Petroleum Corp	7	4
Ocean Drill & Exploration	34	13
Pacific Petroleums	39	18
Pan-Israel Oil	4½	½
Pancoastal Petroleum	13	5½
Pantepec Oil	14	2
Sunset International	11	4½
TXL Oil	41	22
Tidewater Oil	43	24
White Eagle Intl	3⅞	1⅛
Zapata Petroleum	23	8½
OFFICE EQUIPMENT		
Comptometer	30	11
Gray Manufacturing	23	12
Old Town (carbons)	18	2¾
Royal McBee	40	23
TelAutograph	17	10
Underwood	80	22
PAPER		
Allied Paper	23	10
Amer Seal-Kap	24	11
Brown Co	24	15
Doeskin Products	17	2¼
Dorr-Oliver (filters)	20	13
Great Northern Paper	108	53
Rayonier (pulp)	44	22

	Approximate Postwar High	Recent Price
PRINTING & PUBLISHING		
Conde Nast Publications	25	8
Crowell-Collier Publ	46	15
Cuneo Press	30	13
Curtis Publishing	26	16
Esquire	22	9½
R Hoe (presses)	16	9
Lanston Inds (composing mach)	26	12
Macfadden Publications	23	11
McCall Corp	71	22
RETAILERS		
A S Beck Shoe	33	12
Black Starr & Gorham "A"	22	12
Blauner's	24	4⅜
Bond Stores	48	21
City Stores	38	17
Cons Retail Stores	78	2¾
Crowley Milner	23	7⅞
Crown Drug	10	5
Davega Stores	31	5½
Davidson Bros	12	5½
Gilchrist Co	24	13
Goldblatt Bros	30	11
Hoving Corp	20	12
Howard Stores	51	12
Lerner Stores	44	21
Lytton's Henry C Lytton	32	7½
Macy	65	40
Mandel Brothers	26	7
McCrory Stores	22	15
McLellan Stores	35	19
Melville Shoes	39	26
National Bellas Hess	9	4½
Neisner Brothers	22	12
Penn Fruit	43	23
Reeves Brothers	21	14
Shattuck (Schraffts)	26	14
Spear & Co	27	3½
Sterchi Bros Stores	28	14
United Whelan	17	11

table continued on next page

STOCKS FAR BELOW POSTWAR HIGHS

	Approximate Postwar High	Recent Price
SUGAR		
Fajardo Eastern	29	18
Francisco Sugar	35	11
Manati Sugar	16	7
Oahu Sugar	26	13
South Porto Rico	58	34
Vertientes-Camaguey Sugar	26	11
TEXTILES		
Adams-Millis	68	34
American Enka	56	27
American Felt	23	13
American Viscose	63	37
Anderson Clayton	64	38
Beau Brummell Ties	14	6
Belding Heminway (threads)	28	14
Bell Company	15	4¾
Berkshire Hathaway	23	7½
Bibb Manufacturing	61	34
Bigelow-Sanford Carpet	27	13
Blumenthal	26	7
Botany Mills	18	6¼
Celanese Corp of America	58	27
Claussner Hosiery	18	9½
Collins & Aikman	63	24
Cone Mills	41	15
Davenport Hosiery Mills	38	16
Duplan	29	12
Durham Hosiery Mills	25	6½
Firth Carpet	28	9
Industrial Rayon	71	24
Lowenstein & Sons	31	16
Mojud	25	15
Pacific Mills	56	34
Reliance Manufacturing	30	17
Stetson	36	20
J P Stevens	49	27
Stroock	49	15
Wentworth Mfg	11	2
West Point Mfg	34	17
Wyandotte Worsted	25	10
TRANSPORTATION		
Alaska Airlines	12	7½
Allegheny Airlines	14	5
American-Hawaiian SS	142	96
Associated Transport	12	4
Baltimore Transit	18	8¾
Boston & Maine RR	29	14
Braniff Airways	34	14
Brazilian Traction Light & Power	13	6½
Central RR of NJ	43	25
Cincinnati Transit	11	5
Continental Air Lines	15	8
Dallas Transit	12	7
Del, Lackawanna & West	25	13
Delta Air Lines	50	27
Eastern Air Lines	58	36
Erie RR	24	13
Gulf Mobile & Ohio RR	44	29
Hudson & Manhattan RR	12	2
International Rys Cen Amer	26	14
Lehigh Valley RR	25	10
Missouri, Kansas & Texas	21	7
Monon RR "B"	24	10
New York Central	49	29
New York, New Haven & Hartford	39	10
Norfolk Southern RR	19	7¾
Northeast Airlines	21	7
Pacific Airmotive	16	5½
Pennsylvania RR	47	19
Philadelphia Transportation	19	8
Rochester Transit	12	5¼
Seaboard & Western Air	22	12
Slick Airways	12	3½
Texas & Pacific RR	182	119
Trans World Airlines	71	18
Western Air Lines	40	27
Yellow Cab	17	7¾
OTHER INDUSTRIES		
Alco Products	44	20
American Locker "B"	10	3¼
American Ship Building	105	56
American Sumatra Tobacco	23	14
Animal Trap Co of Amer	19	9
Baldwin-Lima-Hamilton	38	16
Boston Wharf	55	24
Brown Rubber	19	9
Endicott Johnson	51	34
General Industrial Enterprises	47	18
Glen Alden (coal)	25	11
Graham-Paige	16	3
Great American Industries	12	2½
Higgins (boats)	11	1½
Kaiser Industries	94	14
National Research	33	22
New York Shipbuilding	58	35
Nunn-Bush Shoe	29	14
O'Sullivan Rubber	9¾	3
Penn-Texas	22	7
Providence Washington Insur	43	24
Roosevelt Field Inc	17	8
Talon Inc "A"	25	15
Waitt & Bond (cigars)	10	3¼
Webb & Knapp	3⅛	1⅜
West Kentucky Coal	44	20
Williams-McWilliams Inds	26	14

Westinghouse Air Brake Unbrakes

Moves into Electronics, Construction Equipment But Keeps Rail Business

PRESIDENT Andrew King McCord of the Westinghouse Air Brake Company could afford to joke: "It's an unusual experience to have a rope around one's neck." He referred not to any economic noose but to the portable microphone suspended around his neck when he addressed the New York Security Analysts two weeks ago. He could report gratifying results beginning to develop from the diversification program laboriously started in 1951. Though Westinghouse Air Brake profits last year fell 27% from 1957, they held up better than for most railway equipment-nurtured competitors.

Westinghouse Air Brake (ticker symbol WK) was founded in 1869 by inventor George Westinghouse 17 years before he started Westinghouse Electric (no current corporate connection). WK has managed an 84-year uninterrupted dividend record though the rate has been braked from $2 in 1952-53 to $1.20 in each of the past four years.

But by the start of the Fifties, WK managers realized undue dependence on rail equipment (a feast or famine business at best) might shunt the company to a rusty siding. Instead they switched WK to the diversification track, a route strongly endorsed by King McCord who stepped aboard as chief conductor in 1956. Previously Harvard and University of Chicago-trained McCord had practiced law briefly in the Windy City, then worked his way up to president of farm equipper Oliver Corp.

Radar Guidance . . . WK's first recent acquisition proved its most successful to date. In 1951 it bought electronics expert Melpar Inc for $1,000,000. Boss McCord recalls Melpar had 350 employes and $1,400,000 sales in 1951; now it has grown to 4,900 workers (almost a third of WK's 15,000 total) and $59,000,000 in 1958 billings—almost three-tenths of total company business. It has outgrown its old headquarters in Falls Church, Va "just twelve miles from the Pentagon" and will this year move into a new $1,800,000 building the company is putting up nearby.

Melpar makes such products as radar systems and missile components. Nearly all is for defense. A healthy growth unit described as "the Fancy Dan of Westinghouse Air Brake" by King McCord, Melpar increased sales and profits last year though not enough to offset declines in other divisions. Melpar sales should "continue to rise."

. . . On the Road. . . Another major diversification step was the 1953 acquisition of the plants and roadbuillding machinery business of R G LeTourneau Inc. The LeTourneau-Westinghouse division has been successful if not as spectacular as Melpar. Today construction equipment is 28% of WK sales.

The recession nipped the division's volume in 1958. But this year

headman McCord expects an increase in roadbuilding spurred by the Federal highway program to boost LeTourneau-Westinghouse sales. Meantime the division added more domestic and foreign distributors last year and started engineering a new line of off-the-highway trucks. A long-range prospect is the "Goer" project for development of an amphibious vehicle which will carry heavy military loads on & off highways and across rivers.

Progress has been slower in some other acquisitions. Engine and air compressor manufacturer Le Roi Company was picked up in 1952. During 1958 Le Roi's unprofitable stationary gasoline engine business was sold and a completely new line of rotary compressors developed. Says president McCord: "Our forecast for 1959 shows a profit from this division rather than a loss."

The George E Failing Company, the largest producer of portable drilling rigs for oil exploration, joined WK in 1953. King McCord anticipates a "diversified and enlarged market" in 1959 for the division which now sells drills for well digging, mining and construction.

WK has also developed an industrial products division which sells pneumatic controls (operated by air rather than fluids or electricity) to general industry. Demand for these products, president McCord reports, is rising "much faster than the Gross National Product."

. . . From Railroads . . . Even with its new interests, Westinghouse Air Brake is still almost one-third in railroad equipment. Sales dropped

Oil driller brings diversity

markedly in the second half of 1958. Because of the "time lag" in getting new orders King McCord does not expect a substantial pickup in rail equipment business until the second half of 1959. But he considers the longer outlook good.

Union Switch & Signal division is the world's largest maker of railway signal and traffic control systems. Installation of this type of equipment for C-T-C (centralized traffic control) and other automated rail operations is "one of the major remaining areas for large railroad economies," notes King McCord. Besides railroad signals, the division turns out relays for missiles.

Prospects for the Air Brake division are pinned in part on the "cobra" brake shoe, a "composition" product containing "metallic parti-

cles held together with an organic binder" developed jointly with Johns-Manville. It is competing successfully with conventional cast iron brake shoes and offers WK, the nation's largest producer of air brakes, extension of business within the railroad industry.

...To Smoother Future. Profit margins narrowed in 1958 as sales fell 13% from 1957's record \$237,000,000. Earnings which inched from \$11,900,000 or \$2.86 a share in 1956 to \$2.89 a share in 1957, dropped to an estimated \$2.05-to-\$2.10 a share last year. However, during the year WK took economy steps which should pay off when volume rises again. Manufacturer McCord reported: "Against more than a one-third reduction in production, we reduced manufacturing expenses other than depreciation, insurance and taxes 24%."

Despite the profit drop, the stock has recovered from a low of 18 in 1958 to 34 last week. This is only two points below the postwar peak of 36 in 1956 but still a goodly distance below the 44 reached in 1937 and the alltime high of 52½ in 1929.

Confident president McCord figures sales in 1959 will show only a modest increase (perhaps back to the 1957 peak)—due largely to the lag in railroad equipment orders. But he adds: "Profits will be greater than would be indicated by a very modest increase in sales. For the longer term, I foresee steady progress for Westinghouse Air Brake and I believe there will be a constant improvement in the relationship between our net earnings and sales."

RAILROADS
CGW Overhaul

MANY a railroad president is a little anxious these days about potential competition from the St Lawrence Seaway which is scheduled to open to ocean-going traffic this Spring. Not so Edward T Reidy, 53-year-old president of the Chicago Great Western Railway (ticker symbol: CGW). In a telephone interview from his Kansas City office he predicted: "I can't help but feel the lines in the Midwest are going to benefit from the Seaway."

The 1,470-mile Great Western, with tracks pinwheeling from the little Iowa junction town of Oelwein to Minneapolis-St Paul, Chicago, Kansas City and Council Bluffs-Omaha, is among those which expect to profit. The railway can feed the St Lawrence by hauling freight to the Seaway's main port at Chicago. Belt lines handily connect the road to the site of the proposed new Chicago port in the Calumet district. Railroader Reidy reports: "We plan to capitalize on our connection with the Seaway (and complete modernization of major yards) by spending about \$1,000,000 this year to improve our Chicago yard."

When Ed Reidy came to the CGW in 1926 as a clerk, the line was run down and heavily burdened with debt. Starting with a reorganization in 1941 to cut fixed charges, aggressive steps have been taken to transform the line into a modern, low-cost freight carrier. Happily, the railroad has virtually no passenger business.

Capital improvements and unus-

ually heavy maintenance outlays, both financed mainly from earnings, have done the trick. About $46,000,000 has been spent for capital improvements in the past ten years with another $1½-to-2 million for additions and $5-to-5½ million for maintenance on the docket in 1959. Because of such modernization, dividends have been conservative—usually less than 30% of net income.

Along with the program to improve its equipment, the Great Western seeks to build its customers.

CROWN CORK TOPS

This lucky miss relaxing on a Florida beach soaks up not only the sun but also a no-miss, no-mess sun tan lotion. Almost hidden in her hand is the compact, convenient aerosal can which sprays rather than pours, thus eliminates waste by spilling and leakage. Crown Cork & Seal Company of Philadelphia calls aerosal cans one of its fastest growing products. They serve as containers for sun tan lotion, hair sprays, food toppings, soap which will lather in sea water, fire extinguishers, bug killers and even pressurized air for inflation of spare tires. Crown Cork's aerosol sales have expanded steadily since their 1946 introduction. In 1958 alone they swished up 20%—in large part because the nation's ten largest toothpaste makers were successfully wooed by aerosol.

Though no figures are disclosed, aerosol cans are estimated at 10-to-15% of the Crown Cork business. The company gets 45% of its volume from metal caps for sealing bottles and cans, over 30% from cans for concentrated juices, paints, etc and 10% from bottling machinery and equipment. While income from these operations fizzled from 1952 through 1957, reorganization by a new management which took office in 1957 has begun to show results. Net in 1958 rose to an estimated $1.30 a share v 30¢ in 1957. Moreover, resumption of the common dividend (the last payment was 20¢ in 1956) may be a 1959 Crown Cork target. The price of Crown Cork shares on the NYSE has risen from a low of 12 in 1958 to 32 last month, the highest level since the alltime peak of 50⅜ attained in 1937.

Industrial development along the tracks has been pushed with a 5,000-acre project to build up industry in the Roseport district twelve miles from downtown St Paul. President Reidy estimates new factories worth "in excess of $50,000,000" have already gone up and a $2,000,000 sulphuric acid plant will be started this Spring.

Because of a relatively stable agricultural traffic in grain and meat products plus increasing manufactured freight, CGW earnings held up fairly well in the recession. President Reidy anticipates profits for 1958 of $6.30-to-6.35 a share *v* $6.94 in 1957. He is "very optimistic" about 1959 and predicts "at least a 5% increase in traffic" due to "improvement in the national economy and the opening of the Seaway." His confidence has been reflected by investors who have driven the 380,000 shares of stock on the NYSE from a 1958 low of 27 to last week's 51.

Meantime two Government decisions may increase the line's income in the next year or so. The Interstate Commerce Commission for the last three years has been considering a request by the CGW and other "bridge" lines for a better division of rates on transcontinental shipments. The CGW receives more than two-thirds of its freight from other railroads, thus hopes for a bigger slice of total revenues.

Also in Government hands is a decision involving refund of taxes for 1947-49. Says president Reidy: "If we're successful we may recover several hundred thousand dollars." Last May the railroad received a Government check for $1,550,000 in settlement of back tax claims for 1942-45.

Another future possibility according to Wall Street rumors is a merger with either Kansas City Southern or some other neighboring railroad. But president Reidy states vociferously: "There isn't any thought of a merger at this time. We have not had any discussions and we are not entertaining the thought of having any."

Perlman Polemic

THE New York Central Railroad is 100% dieselized these days but president Alfred Edward Perlman let off a lot of steam last fortnight about the nation's "archaic" transportation policy. Addressing a meeting of the Atlantic States Shippers Advisory Board which met at the Hotel Commodore in New York the peppery president barked: "Things are changing so fast today we are willing to believe that almost anything is possible. Yet we ride along and see the same old freight cars, the same old varnish on the passenger cars and begin to wonder why a little touch of imagination hasn't rubbed off on the railroads."

The head of the nation's second largest railroad (in point of revenues) asserted railroad equipment engineers have come up with radical improvements but not enough have been put into operation. Innovations which could be more plentiful if public policy were more benign: centralized traffic control which enables two tracks to do the

work of four; electronically operated freight yards like the Central's at Elkhart, Ind which uses giant mechanical brains, television, radar and analog computers; piggyback cars and universal containers; mechanized maintenance to replace road gangs (Central's road maintenance has been 100% mechanized since last May), gamma ray devices to weigh loaded moving freight cars and atomic switch lamps which give light for twelve years without refueling. The Central has at least made a start in each of these categories, many others have not.

Railroader Perlman admits some progress may be made with the Transportation Act of 1958 which authorizes the Government to insure loans to railroads, eases regulations of some rates and in general exudes a helpful climate. But he sarcastically notes a committee headed by Calvin Coolidge made many of the same recommendations back in 1932 and "it is amazing to see how little has been accomplished" since. For instance he reports the Central has trouble in getting commissions to approve such obvious needs as running more commuter trains home early on Christmas Eve—not to mention the trouble trying to end its more unprofitable services.

To illustrate he recalled: "You have undoubtedly heard me tell of the break-down of the commuter train last year when we sent every one of our passengers that were on the train—all three of them—home in one taxi cab." The Hudson ferries are another sore point with chief Perlman. "A few weeks ago," he recounted, "during the high winds which struck the city, the weather deck was blown off one of the ferries and all nine of the people on the boat got wet—the seven members of the crew and two passengers. On many of these ferry runs we do not even have an employe to collect the fares—for the fares he would collect would not even pay his salary."

Next the Central president blasted the taxes paid by railroads which help support subsidized competitors. He argued automobiles nowhere near pay their own way. "With $90 billion expended from the public treasury for highways less than half has been paid back through gas taxes and other taxes on motor vehicles."

His conclusion: "In spite of the Transportation Act of 1958, the national transportation policy is still such that the railroads are not being permitted to earn a sufficient return to provide the public with the kind of plant and equipment we feel they so fully deserve."

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TAX COCKTAIL

Tax manager Victor Harris of Schenley Industries Inc bravely faces the first two armloads of 1959 tax forms while his desk still overflows with carbons of 1958 returns. All told Schenley last year filed 37,500 Federal, state and local forms for everything from income and real estate to mineral rights and occupancy tax. Taxman Harris claims the big distiller has to file "5-to-90 times more returns than a company of similar size in any other industry." Most onerous is the liquor excise tax of $10.50 a proof gallon which represents over 85% of the cost of producing the stuff.

While the tax burden is enough to drive a distiller to drink, Schenley and its domestic cohorts scored a major victory last Summer. Lengthy efforts for tax relief through the courts proved fruitless. But Congress was persuaded to permit whisky to be stored in bond tax-free for up to 20 years. Previously excise tax had to be paid after eight years storage. This tax extension was a particular boon to Schenley which would have 53,000,000 gallons of eight-year whisky in 1958, 92,500,000 in 1959 and 48,800,000 in 1960 "forced out" of storage into a flooded market.

The new law provided a more stable market for Schenley beverages and a strong market for Schenley common which shot up from 18 a year ago to 42 last week. In addition holders received two 5% stock dividends with two more due later this year. This is atop the regular 25¢ quarterly cash disbursement.

Last year Schenley also profited by the sale of prosperous beer subsidiary Blatz to lagging Pabst Brewing for $11,000,000 plus debentures and stock purchase warrants.

Meantime stockholders could toast a record volume of $497,000,000 in the year ended last August while operating net came to $3.05 a share (plus 53¢ non-recurring gain) compared to $2.34 the year before. November quarter operating net improved further to $1.31 a share v $1.12 on fewer shares the year before and company officials look for even better times through 1959.

NAME GAME

There's an old Oriental custom of changing your name in order to change your luck, presumably on the theory that you thus confuse the Fates and they subsequently treat you better. We haven't actually checked the results, so we can't say for sure how effective the technique is.

But when an investor says that he has been having bad luck with his stocks, it's common sense to suggest that he change his holdings, not his name. Tampering with destiny is not in our line, but improving portfolios is.

If you've been dissatisfied over the behavior of your securities recently, why not have a check-up? Our Research Department will review your stocks and bonds and make buy, sell, and hold recommendations in the light of present market conditions and your own personal financial situation. There's no charge for this service, and everything you tell us will be held in strictest confidence.

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